

April 9, 2021

Economic Acumen

Commentary by CEBI Research Team

In Brief

- In view of the coronavirus pandemic across the world, the global economy faced a loss of growth momentum in 2020. The complication of worldwide health and economic environment created short-term economic turbulences with which global activities contracted by 3.3% in 2020.
- Entering 2021, global economic growth demonstrates signs of rebounding from 2020's trough at an uneven momentum across different countries due to varying health, economic and political environment in different continents.
- Two biggest economies of the world lift global growth expectations in 2021. International Monetary Fund (Fund) just releases the economic forecasts by raising global growth from January projection of 5.5% to 6.0% in 2021 with which the U.S. and China will grow by 6.4% and 8.4%.
- Although Eurozone, Japan and developing economies have embedded into slower recovery, the global economic recovery is gaining more traction on alleviation of global health risks by accelerating vaccines rollout, thus brightening economic outlook in 2021.

Banny Lam
Head of Research
Banny.lam@cebi.com.hk
(852)2916-9630

Global growth gaining upward momentum despite uneven recovery

In view of the coronavirus pandemic across the world, the global economy faced a loss of growth momentum in 2020. Global growth was skewed to the slump and a worse-than-expected global growth outlook came with heightened health and economic risk. The economic stagnation was compounding global economic woes and triggering a severe blow to different sectors of the economies. In general, the complication of worldwide health and economic environment created short-term economic turbulences with which global activities contracted by 3.3% in 2020. Entering 2021, global economic growth demonstrates signs of rebounding from 2020's trough at an uneven momentum across different countries due to varying health, economic and political environment in different continents. Two biggest economies of the world lift global growth expectations in 2021 as the U.S. economy grows at modest pace under Biden's fiscal stimulus and the Fed's accommodative monetary stance while China's economy enjoys the early exit from the pandemic, thus maintaining a medium-high growth rate with more emphasis on boosting domestic demand and cultivating technological innovation. International Monetary Fund (Fund) just releases the economic forecasts by raising global growth from January projection of 5.5% to 6.0% in 2021 with which the U.S. and China will grow by 6.4% and 8.4%. Although Eurozone, Japan and developing economies have embedded into slower recovery, the global economic recovery is gaining more traction on alleviation of global health risks by accelerating vaccines rollout, thus brightening economic outlook in 2021.

Growing optimism on the U.S. economic recovery backed by the new fiscal stimulus and accelerating vaccination. With the pickup in the speed of vaccination and launch of sizable fiscal stimulus, the U.S. economy demonstrates an upbeat growth momentum on acceleration of activity normalization. Manufacturing activities continue to lead the recovery as March Markit and ISM manufacturing Purchasing Managers' Index (PMI) stayed above the expansion threshold of 50 at 59.1 and 64.7 respectively. In the wake of continued

improvement in economic conditions, the IMF raises the projection of U.S. GDP growth to 6.4% and 3.5% for 2021 and 2022 from January projection's 5.1% and 2.5%. In sum, strengthening growth rebound expectations are driven by factors including the vaccination rollout, surging bond yield, rising commodities prices and increasing government and personal consumption. The clear monetary stance of the Fed and fiscal stimulus package under Biden's Administration will add recovery momentum into the U.S. economy, thus strengthening the growth rebound for 2021 and 2022.

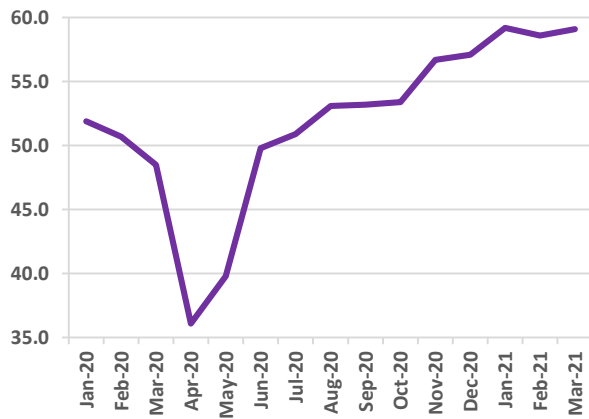
Slow pace of vaccines rollout delaying economic recovery of Eurozone countries. Countries across Eurozone face the need for vigilance amid stagnant vaccination progress and rising cases of coronavirus. The pandemic situation worsens again, prompting the EU to re-impose more stringent controls on social distancing in an attempt to avoid serious coronavirus outbreak again in Europe, thus halting the resumption of domestic economic activities and postponing the latest stage of economic recovery. The service sector is not immune to renewed containment measures and activities will continue to be hampered by a subdued vaccination campaign. We are of the view that Eurozone will face tepid, uneven and fragile recovery in the first half of 2021 as more permanent damages from the health crisis, including surging unemployment and corporate insolvencies impair the recovery momentum. The Eurozone's economy continues to operate below pre-pandemic level in most sectors in 2021.

Japan still facing health and economic headwinds. Despite a mild outbreak of coronavirus compared to the U.S and Europe, Japan has witnessed a consistent nationwide surge in coronavirus infections since the start of 2021. Amid low vaccination rate, the rising number of infection cases trigger the renewed restrictions on social distancing requirements along with additional preventive measures, which may limit the recovery momentum of the economy. In sum, Japan's economy continue to face a severe economic fallout from the pandemic outbreak due to no foreign visitors of Tokyo 2020 Olympic Games and disruption of global supply chain on Japanese manufacturing products. In general, Japan is still feeling the brunt of the coronavirus shocks and re-implementation of onerous lockdowns will delay the resumption of the business activities, thus prolonging the pandemic-induced economic stagnation.

China embracing modest economic recovery. China's newly released manufacturing the Purchasing Managers' Index (PMI) for March edged up to 51.9, staying above the consensus estimate of 51.2 and February's 50.6 while non-manufacturing PMI rebounded strongly to 56.3 against the consensus estimate of 52.0 and February's 51.4. The upbeat momentum of the official March PMI indicated that manufacturing and service activities are surging at an accelerating pace. Looking forward, the economic vision under 14th Five-Year Plan (FYP) puts a heavy focus on sustainable and quality growth. China's economy has largely recovered from the pandemic-

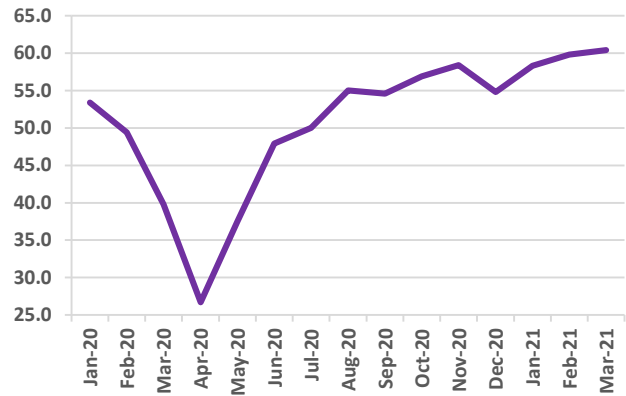
driven slowdown, thus undergoing a transition to further leverage the fundamental role of domestic demand in promoting economic growth. China's policy makers will maintain policy actions on both monetary and fiscal front to navigate continued economic recovery, thus strengthening global growth in 2021.

Fig. 1: Markit U.S. Manufacturing PMI



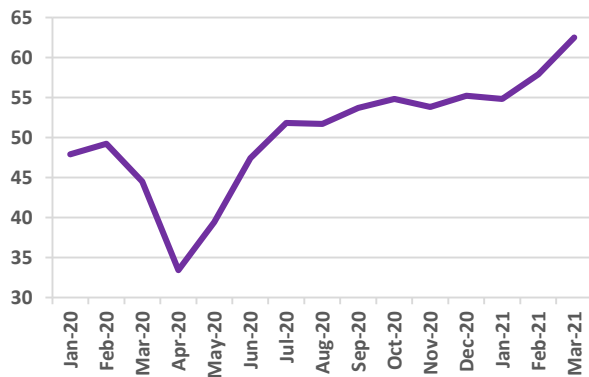
Source: Bloomberg

Fig. 2: Markit U.S. Services PMI



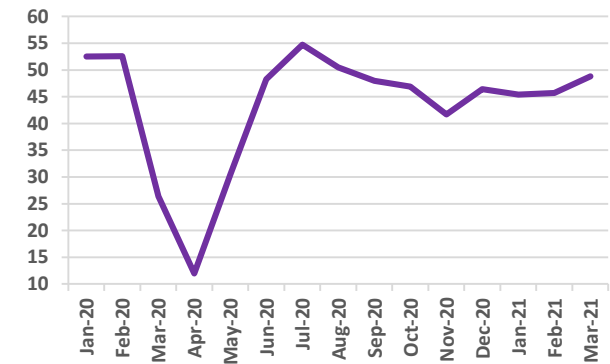
Source: Bloomberg

Fig. 3: Markit Eurozone Manufacturing PMI



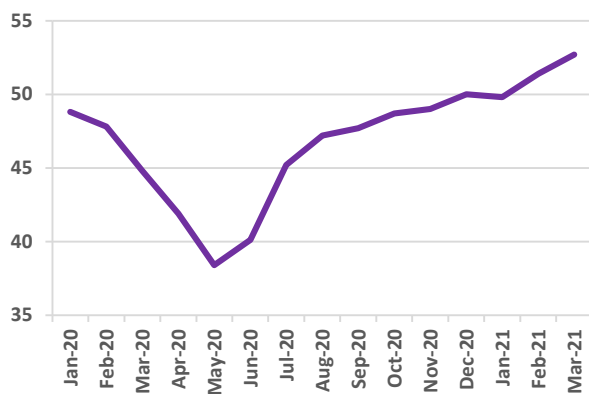
Source: Bloomberg

Fig. 4: Markit Eurozone Services PMI



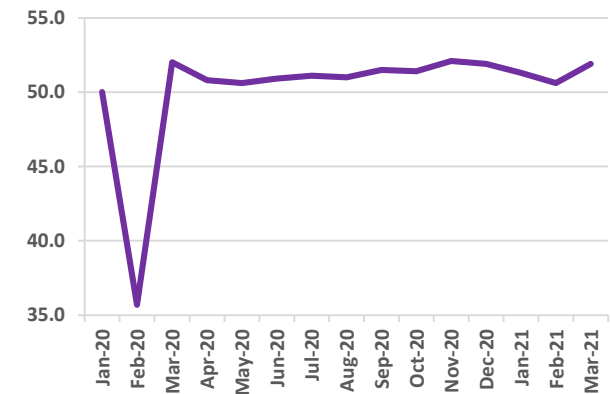
Source: Bloomberg

Fig. 5: Markit Japan Manufacturing PMI



Source: Bloomberg

Fig. 6: China Manufacturing PMI



Source: Bloomberg

China economic indicators

	2018	2019	1Q2020	2Q2020	3Q2020	4Q2020	2020	1Q2021
Real GDP (YoY%)	6.6	6.0	(6.8)	3.2	4.9	6.5	2.3	-
PMI								
Manufacturing (%)	49.4	50.2	45.9	50.8	51.2	51.8	51.9	51.3
Non-Manufacturing (%)	53.2	53.5	45.3	53.7	55.1	56.1	55.7	53.4
Exports (RMB YoY %)	7.1	5.0	(11.7)	4.2	9.8	10.9	4.0	-
Imports (RMB YoY %)	12.9	1.7	(1.0)	(5.8)	4.1	(0.4)	(0.7)	-
Trade Balance (RMB/bn)	2324.7	2912.0	94.0	1083.7	1108.6	1423.5	3700.3	-
Exports (USD YoY %)	9.9	0.5	(13.4)	(1.8)	8.4	16.7	3.6	-
Imports (USD YoY %)	15.8	(2.7)	(3.0)	(9.7)	3.1	4.9	(1.0)	-
Trade Balance (USD/bn)	350.9	421.1	12.4	153.8	157.1	211.7	533.7	-
CPI (YoY %)	2.1	2.9	4.9	2.7	2.3	0.1	2.5	0.0
PPI (YoY %)	3.5	(0.3)	(0.6)	(3.3)	(2.2)	(1.3)	(1.8)	2.1
FAI (YTD/ YOY %)	5.9	5.4	(16.1)	(3.1)	0.8	2.9	2.9	-
Real Estate Investment (YTD YoY %)	9.5	9.9	(7.7)	1.9	5.6	7.0	7.0	-
Industrial Production (YoY %)	6.2	5.7	(8.4)	4.4	5.8	7.1	2.8	-
Retail Sales (YoY%)	9.0	8.0	(19.0)	(3.9)	(0.4)	3.2	(3.9)	-
New Lending (RMB/bn)	16166.3	16817.5	7096.6	4990.9	4166.7	3378.7	19632.9	-
M2 (YoY %)	8.1	8.7	10.1	11.1	10.9	10.1	10.1	-
Aggregate Financing (RMB bn)	19258.4	25673.5	11111.0	9757.4	8747.4	5176.0	34791.8	-

	Mar 20	Apr 20	May 20	Jun 20	July 20	Aug 20	Sept 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21
Real GDP (YoY%)	(6.8)	-	-	3.2	-	-	4.9	-	-	6.5	-	-	-
PMI													
- Manufacturing %	52.0	50.8	50.6	50.9	51.1	51.0	51.5	51.4	52.1	51.9	51.3	50.6	51.9
- Non-manufacturing%	52.3	53.2	53.6	54.4	54.2	55.2	55.9	56.2	56.4	55.7	52.4	51.4	56.3
Exports (RMB YoY %)	(3.8)	7.7	1.2	4.0	10.0	11.2	8.2	7.2	14.5	10.9	16.6	139.5	-
Imports (RMB YoY %)	2.1	(10.4)	(12.7)	5.9	1.4	(0.8)	11.2	0.6	(1.4)	(0.2)	18.3	10.3	-
Trade Balance (RMB/bn)	140.4	316.1	437.9	322.7	435.7	411.6	254.8	399.8	507.9	516.8	428.6	247.3	-
Export (USD YoY %)	(6.9)	3.1	(3.5)	0.2	6.8	9.1	9.4	10.9	20.6	18.1	24.8	154.9	-
Import (USD YoY %)	(1.3)	(14.4)	(16.7)	2.3	(1.6)	(2.3)	12.7	4.4	3.9	6.5	26.6	17.3	-
Trade Balance (USD/bn)	20.0	45.1	62.2	45.6	61.4	58.2	36.6	58.2	75.6	78.2	65.4	37.9	-
CPI (YoY %)	4.3	3.3	2.4	2.5	2.7	2.4	1.7	0.5	(0.5)	0.2	(0.3)	(0.2)	0.4
PPI (YoY %)	(1.5)	(3.1)	(3.7)	(3.0)	(2.4)	(2.0)	(2.1)	(2.1)	(1.5)	(0.4)	0.3	1.7	4.4
FAI (YTD/ YOY %)	(16.1)	(10.3)	(6.3)	(3.1)	(1.6)	(0.3)	0.8	1.8	2.6	2.9	-	35.0	-
Real Estate Investment (YTD/ YoY %)	(7.7)	(3.3)	(0.3)	1.9	3.4	4.6	5.6	6.3	6.8	7.0	-	38.3	-
Industrial Production (YoY %)	(1.1)	3.9	4.4	4.8	4.8	5.6	6.9	6.9	7.0	7.3	-	35.1	-
Retail Sales (YoY%)	(15.8)	(7.5)	(2.8)	(1.8)	(1.1)	0.5	3.3	4.3	5.0	4.6	-	33.8	-
New Lending (RMB/bn)	2853.4	1697.8	1482.1	1811.0	992.7	1278.3	1895.7	689.8	1433.7	1255.2	3578.3	1359.4	-
M2 (YoY %)	10.1	11.1	11.1	11.1	10.7	10.4	10.9	10.5	10.7	10.1	9.4	10.1	-
Aggregate Financing (RMB bn)	5183.8	3102.7	3186.6	3468.1	1692.8	3585.3	3469.3	1392.9	2135.5	1647.6	5174.0	1712.9	-
Urban Unemployment Rate (%)	5.9	6.0	5.9	5.7	5.7	5.6	5.4	5.3	5.2	5.2	5.4	5.5	-
Urban Unemployment Rate in 31 major cities (%)	5.7	5.8	5.9	5.8	5.8	5.7	5.5	5.3	5.2	5.1	-	5.5	-

World Economic/Financial Indicators

Global Indices			
Index	Closing Price	P/E	One Week chg(%)
U.S.			
DJIA	33,503.57	29.66	1.58
S&P 500	4,097.17	33.26	3.13
NASDAQ	13,829.31	74.42	4.40
EUR			
FTSE 100	6,942.22	95.98	2.51
DAX	15,202.68	49.85	1.29
CAC40S	6,165.72	55.90	1.28
STOXX EUR 600	436.86	54.67	1.44
Asia			
HSI	29,008.07	15.04	2.36
HSCEI	11,109.48	15.79	1.52
CSI300	5,112.21	19.20	1.26
SSE Composite	3,482.56	17.86	1.18
SZSE Composite	2,257.95	46.41	1.82
NIKKEI 225	29,708.98	33.84	1.09
KOSPI	3,143.26	27.74	1.81
TWSE	16,926.44	22.46	2.24
S&P/ASX 200	6,998.77	59.75	3.86
MSCI Index			
MSCI WORLD	2,895.61	35.12	1.95
MSCI DEVELOPED	692.56	33.20	1.78
MSCI EMERGING	1,343.36	24.22	0.61
MSCI US	3,980.10	33.24	3.25
MSCI UK	1,946.92	84.95	2.41
MSCI France	178.13	69.39	1.50
MSCI Germany	168.68	53.03	1.43
MSCI China	110.40	22.20	(0.65)
MSCI Hong Kong	17,025.66	49.39	1.74
MSCI Japan	1,194.20	28.84	(0.17)

* As of 8/04/2021 closing for all markets.

Global Commodities			
	Unit	Price	One Week chg(%)
Energy			
NYMEX WTI	USD/bbl	59.60	(3.01)
ICE Brent Oil	USD/bbl	63.20	(0.54)
NYMEX Natural	USD/MMBtu	2.52	(4.43)
Basic Metals			
LME Aluminum	USD/MT	2,266.11	2.74
CMX Copper	USD/lb.	409.45	2.61
LME Steel Rebar	USD/MT	636.00	(1.78)
LME Lead Cash	USD/MT	1,960.85	0.72
Precious Metals			
CMX Gold	USD/T. oz	1,745.92	1.91
Gold Futures	USD/T. oz	1,758.20	1.72
CMX Silver	USD/T. oz	25.34	4.19
NYMEX Platinum	USD/T. oz	1,230.73	4.19
Agricultural			
CBOT Corn	USD/bu	579.75	3.57
CBOT Wheat	USD/bu	628.75	2.91
NYB-ICE Sugar	USD/lb.	15.18	2.78
CBOT Soybeans	USD/bu.	1,415.25	0.95

All data sources: Bloomberg

Money market		
	Yield (%)	One Week chg(%)
US Fed Fund Rate	0.25	0.00
US Prime Rate	3.25	0.00
US Discount Window	0.25	0.00
ECB Rate (Refinancing)	0.00	0.00
BOJ Policy Rate	(0.10)	0.00
US Treasury (1 Mth)	0.00	(0.01)
US Treasury (1 Yr)	0.05	(0.01)
US Treasury (5 Yr)	0.84	(0.07)
US Treasury (10 Yr)	1.62	(0.05)
US Treasury (30 Yr)	2.31	(0.03)
1-Month LIBOR	0.11	0.001
3 Month LIBOR	0.19	(0.001)
Japan 1-Yr Gov. Bond	(0.12)	0.00
Japan 10-Yr Gov. Bond	0.10	(0.02)
German 1-Yr Gov. Bond	(0.64)	(0.04)
German 10-Yr Gov. Bond	(0.34)	(0.01)
China LPR (1-year)	3.85	0.00
China 1-Yr Gov. Bond	2.50	(0.03)
China 5-Yr Gov. Bond	3.05	0.04
China 10-Yr Gov. Bond	3.22	0.03
O/N SHIBOR	1.76	(0.36)
1-mth SHIBOR	2.52	(0.02)
HK Base rate	0.50	(0.00)
O/N HIBOR	0.04	(0.002)
1-mth HIBOR	0.13	(0.004)
O/N CNH HIBOR	1.98	(1.84)
1-mth CNH HIBOR	2.96	(0.27)
Corporate Bonds (Moody's)		
Aaa	2.96	(0.08)
Baa	3.64	(0.13)

Currency market		
	Spot Rate	One Week chg(%)
US Dollar Index	92.06	(0.94)
Euro/USD	1.19	1.07
GBP/USD	1.37	(0.26)
AUD/USD	0.76	0.95
USD/CAD	1.26	0.15
USD/JPY	109.55	(1.12)
USD/CHF	0.93	(1.82)
USD/CNY Midpoint	6.55	(0.38)
USD/CNY	6.55	(0.03)
12-mth Spot pr.	6.74	(0.48)
USD/CNH	6.56	(0.42)
USD/HKD	7.78	0.00
CNY/HKD	1.19	0.24
CNH/HKD	1.19	0.42
USD/KRW	1,117.40	(1.29)
USD/TWD	28.42	(0.32)
USD/SGD	1.34	(0.39)
USD/INR	74.58	1.63

Disclosures

Analyst Certification

I, LAM Chiu Kei, Banny (CE Number: AGH217) being the person primarily responsible for the content of this research report, in whole, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to any listed company(ies) covered in this report, and I and/or my associates do not serve as officer(s) of any listed company(ies) covered in this report.

Disclaimer

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. CEB International Capital Corporation Limited is under no obligation to update or keep current the information contained herein. CEB International Capital Corporation Limited relies on information barriers to control the flow of information contained in one or more areas within CEB International Capital Corporation Limited, into other areas, units, groups or affiliates of CEB International Capital Corporation Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of CEB International Capital Corporation Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither CEB International Capital Corporation Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2021 CEB International Capital Corporation Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of CEB International Capital Corporation Limited.

**Office address: CEB International Capital Corporation Limited, 22/F AIA Central, 1 Connaught Road Central, Hong Kong.
Tel: (852) 2916 9600**